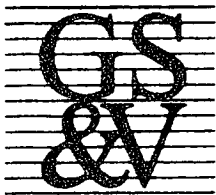


TOWN OF BETHANY BEACH
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2008



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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Bethany Beach
215 Garfield Parkway
Bethany Beach, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Bethany Beach, State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2008. The Town of Bethany Beach's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Bethany Beach's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2008 and detail any instances of noncompliance.

The Town of Bethany Beach received municipal grant funds under the following programs for the year ended June 30, 2008:

Municipal Street Aid
Police Pension
State Aid to Local Law Enforcement
Emergency Illegal Drug Enforcement

FINDING NO. 08-1 During the completion of the Town of Bethany Beach's program checklist for the Municipal Street Aid grant, it was noted that their cash internal control structure over Municipal Street Aid expenditures has a weakness due to the fact that a stamp of the Mayor's signature is used by the Town Manager or his administrative assistant for all expenditures. The Mayor's signature stamp is the only one required on the checks. Unauthorized expenditures could occur if the Mayor's signature stamp is inappropriately used.

RECOMMENDATION A second "live" signature by an individual without access to the Mayor's signature stamp would strengthen the internal control surrounding expenditures of Municipal Street Aid funds.

TOWN'S PLAN FOR CORRECTIVE ACTION

The requirement of a second signature on every check would add a significant delay in outgoing payments or cause a deficiency in other internal controls due to our very limited administrative staff. The Town of Bethany Beach has other controls in place to ensure that no single person can prepare and sign a check.

The finding and recommendation will be referred to our Audit Committee and Internal Auditor for discussion at a future meeting.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 05-1 During completion of the Town of Bethany Beach's program checklist for the Municipal Street Aid grant, it was noted that their cash internal control structure over municipal street aid has a weakness due to the fact that a stamp of the Mayor's signature is used by the Town Manager or his administrative assistant for all expenditures with no knowledge by the Mayor until after the checks are mailed and then the Mayor receives a list of the checks written. The Mayor's signature stamp is the only one on the check. Unauthorized expenditures could occur if the Mayor's signature stamp is inappropriately used.

CURRENT STATUS See finding 08-1.

FINDING NO. 05-2 During completion of the Town of Bethany Beach's program checklist for the Municipal Street Aid grant, it was noted that the Town deposits the Municipal Street Aid funds into the separate bank account, and then reimburses the general fund for all checks that are designated eligible expenditures. In February of 2005, a transfer of funds was made from the Municipal Street Aid account to the general fund. At the time of the transfer, \$67,637.80 in expenditures had been paid by the general fund, but the transfer was made for \$71,389.89, an excess transfer of \$3,752.09. The "Guidelines for

Municipal Street Aid Funding” issued by the State of Delaware state that payment must be executed before a reimbursement can occur.

CURRENT YEAR STATUS The Municipal Street Aid fund properly reimbursed the general fund after the expenditures were incurred.

FINDING NO. 05-3 During the completion of the Town of Bethany Beach’s program checklist for the Municipal Street Aid grant, it was noted that the annual report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The interest income earned on the Municipal Street Aid funds was understated by \$5 on the annual report and the actual total expenditures were understated by \$5 for bank charges not recorded on the annual report. Failure to prepare accurate financial reports could result in the loss of grant funding.

CURRENT YEAR STATUS The annual report for the Municipal Street Aid grant was accurately prepared.

FINDING NO. 05-4 During completion of the Town of Bethany Beach’s program checklist for the Municipal Street Aid grant, it was noted that bids were obtained for a road paving project. The advertisement for the bid proposals ran on Wednesday, March 3 and Friday, March 5. The requirements [29Del.C. §6923(b)] state that bids shall be published at least once a week for two consecutive weeks. Failure to comply with applicable laws and regulations could result in the loss of grant funding.

CURRENT YEAR STATUS Bids for current year projects were properly published in accordance with 29 Del. C. §6923(b).

FINDING NO 04-5 During completion of the Town of Bethany Beach’s program checklist for the police pension grant, it was noted that the Town did not submit to the State Board of Pension trustees by April 1, a listing of retired police officers receiving benefits from the Town as of December 31 of the preceding year, excluding those receiving benefits from the State of Delaware County and Municipal Police Pension Plan as required by 18 Del. C. §709(b). The State Board of Pension Trustees has not requested this information from the Town or provided a format for the Town to submit this information to them. Failure to comply could result in the loss of grant funding.

CURRENT YEAR STATUS Since the Town of Bethany Beach does not participate in the proceeds of the insurance tax as outlined in 18 Del. C. §708(c)(2) they were not required to file the listing for the current year.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express

such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Bethany Beach's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Grabowski, Sparano
& Vincellette, CPAs*

Wilmington, Delaware
January 8, 2009